

### Greenspan: Fed Has Inordinate Power

Washington, DC: In a hearing before the House Financial Services committee yesterday, Congressman Ron Paul took the opportunity to ask Federal Reserve Chairman Alan Greenspan several pointed questions. Greenspan's normal evasiveness was tested when Paul asked him directly whether Fed actions represent a threat to freedom and prosperity. Mr. Greenspan's startling response: The Fed does indeed have "inordinate power" over the American economy.

"I certainly appreciate Mr. Greenspan's candor," Paul stated after the hearing. "The Fed does have a tremendous impact on the economy and our lives, but its board members generally escape any political scrutiny for their actions. I want to make the public and Congress more aware of just how powerful--and destructive-- the Fed really is. The unbridled expansion of the money supply will hurt all of us in the long run, in the form of price inflation, destruction of personal savings, and higher interest rates."

Paul also cited economist Friedrich Hayek's "pretense of knowledge" principle during the hearing, arguing that no amount of Fed "wisdom" can substitute for the discipline and price setting of the free market. He pressed Greenspan to admit that no government planner can know the "correct" interest rate for the economy, but the Chairman again sidestepped this central question.

Paul is well known for his opposition to inflationist Fed policies and his support for a stable, commodity-based currency system. True capitalism requires a free market for money and interest rates, just as surely as it requires a free market for wages and prices.

"Centralized planning is as disastrous in monetary affairs as in economic affairs," Paul stated. "Just as Russian bureaucrats could not determine prices, wages, or production levels in the absence of a free market, the Federal Reserve Board cannot determine the proper level for interest rates or the money supply. Our fiat currency and artificially low interest rates can only result in the deterioration of the U.S. dollar through inflation, which in the end causes interest

rates to rise no matter what the Fed says or does.”